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To: County and District Superintendents
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From: Susan Lange, Deputy Superintendent
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Subject: **Governor's Budget For Fiscal Year 2000-01**

On Monday, January 10, Governor Gray Davis presented his budget proposal for the 2000-01 fiscal year. In the interests of providing you with information on the Governor's Budget proposals as quickly as possible, this management bulletin focuses on major highlights. We will issue a more comprehensive review of the budget at a later date. Copies of this bulletin, as well as future budget-related documents, will be available through the California Department of Education's (CDE) Web Site at (<http://www.cde.ca.gov/sfsdiv/>). The budget itself is available on the Department of Finance's Web Site at (<http://www.dof.ca.gov/>).

Based on "remarkable economic growth" in both the nation and California, and a continued strong stock market, the budget projects General Fund revenue growth of 4.7% in 2000-01. This is a slower growth rate than experienced in 1998-99 and projected for 1999-00. The budget indicates that this revenue forecast represents a "cautionary approach" that is warranted due to the volatility of the stock market.

Under Proposition 98, the revenue forecast generates \$40.1 billion in state and local funds available in 2000-01 for ongoing program purposes in K-12 schools, other educational agencies, and community colleges. The Governor proposes appropriations of \$40.4 billion, which exceeds the required amount by \$257 million and represents an increase of \$2.2 billion above the 1999-00 level. The Governor proposes allocating \$35.8 billion to K-12 schools, which is an increase of \$1.9 billion above the 1999-00 level. On a per-ADA basis, K-12 Proposition 98 funding increases from \$6,045 to \$6,313, or 4.4%.

The budget includes full funding for statutory enrollment growth and a 2.84% cost-of-living adjustment (COLA). The budget does not propose to change the current deficit factors for school district and county office of education apportionments.

The Governor's proposed new programs are primarily in the areas of student achievement and teaching. Major Governor's initiatives in the K-12 portion of the education budget include:

- \$18 million for Intensive Algebra Instruction Academies for students in grades 7-8.
- \$61.9 million for a rate increase for supplemental instruction programs such as summer school. The budget proposes to consolidate existing programs to simplify administration.
- \$9.4 million for new teacher recruitment centers to help schools with a high concentration of emergency permit holders to recruit fully credentialed teachers.
- \$20.8 million to expand the Alternative Certification program and increase the grant level.
- \$15 million to provide stipends to teachers receiving National Board of Professional Teaching Standards certification.
- \$52 million for incentives for fully credentialed teachers to work in low-performing schools.
- \$48 million for stipends so that teachers may attend various new professional development institutes operated by the University of California.
- \$8 million for teacher training to provide Advanced Placement courses.
- \$175 million for education technology, including \$75 million in 2000-01 funds and \$100 million from 1999-00 funds. These funds would be distributed by the Office of the Secretary of Education.

Major Budget Proposals, 2000-01

School Apportionments

As noted, the budget provides full funding for enrollment growth and a 2.84% COLA for district and county office revenue limits. Table 1 presents the estimated 2000-01 COLA amounts.

The budget proposes no change in the deficit factors applied to local education agency apportionments. The factors are currently 6.996% for school districts and 8.628% for county offices of education.

Table 1
District Revenue Limit COLAs

District Type	COLA* per Unit of ADA
Elementary	\$118
High School	\$143
Unified	\$123

*Amount subject to deficit.

Special Education

The budget proposes an increase of \$125.1 million from state and local sources to fully fund enrollment growth and a 2.84% COLA. In addition, the budget reflects \$60.8 million of new federal funds for special education. Consistent with AB 602 (Chapter 854, Statutes of 1997), \$33.2 million of these funds are dedicated to equalization of funding rates. The remaining \$27.6 million in these funds are proposed for districts with higher-than-average proportions of students with high-cost, low-incidence disabilities. The budget also includes \$16.8 million for 1999-00 and the same amount for 2000-01 to fund 1999-00 enrollment increases. Finally, the budget includes \$36 million to fund the 2000-01 effect of past-year adjustments.

Categorical Programs

The budget provides increases of varying amounts for growth and a 2.84% COLA to categorical programs. The budget also proposes to continue allowing funding shifts ("15% out" and "20% in") between programs formerly budgeted in the mega-item.

Pupil Testing

The budget includes \$42.1 million to continue the administration of individual tests of student achievement to pupils in grades 2 through 11 under the Standardized Testing and Reporting (STAR) program. The budget also includes an increase of \$41.6 million for development and administration of the STAR program, the high school exit examination, and assessments of English language development.

Expansion of Existing Programs

The budget proposes increases to various programs established or expanded in 1999. These proposals include:

- \$20 million for English-language acquisition programs.
- \$34.7 million for Cal-SAFE.

- \$14.2 million for the Beginning Teacher Support and Assessment program to fund 3,500 additional teachers and increase funding for existing participants.
- \$18.7 million to fund planning grants for a second cohort in the Immediate Interventions/Underperforming Schools program.

Preschool and Child Care

The budget proposes \$23 million for the full-year cost of the expansion of the State Preschool program begun in the current year and \$23.8 million for one-half year expansion to bring State Preschool enrollment to 100,000 children by the end of the 2000-2001 fiscal year. The budget also provides \$20.9 million (General Fund) toward the \$27.3 million statutory COLA for state-subsidized child care programs with the remaining \$6.4 million to be funded through federal resources. The following program expansions are also proposed:

- \$185.5 million increased transfer from the Temporary Assistance to Needy Families (TANF) Block Grant received by the Department of Social Services to the Child Care and Development Fund (CCDF) to meet caseload projections for CalWORKS Stage 2.
- \$50 million (General Fund) is proposed for Stage 2 to reflect a shift of eligible caseload out of Stage 3.
- \$95.1 million (\$45.4 General Fund) toward fully funding the estimated caseload need for CalWORKS Stage 3 child care. The remainder is funded through federal resources.
- \$31.2 million in unexpended child care funds (General Fund) to support the expansion of State Preschool and new centers in underserved neighborhoods with a high percentage of CalWORKS families

School Facilities

The Governor's Budget notes the availability of \$3.4 billion for K-12 school construction over the next three years, as a result of 1998 voter approval of a statewide general obligation bond measure (Proposition 1A).

The budget proposes an appropriation of \$166 million for deferred maintenance, in addition to the amount available from excess bond repayments. The appropriation is an increase of \$23.3 million above the amount provided in the current year's budget for this purpose.

Summary Statistics

The Governor's Budget projects that a total of \$47.2 billion in revenue will be available for K-12 education in fiscal year 2000-01. Table 2 shows that, of this total, \$35.6 billion of state and local funding would satisfy the state's obligation under Proposition 98.

Table 2
Funding for K-12 Education
All Sources and Proposition 98
(in millions)

	All Sources	Guaranteed by Proposition 98
State general fund	\$27,664	\$24,996
State lottery	745	--
Other state funds	65	--
Federal funds	4,708	--
Local property tax	10,885	10,791
Local debt service tax	498	--
Other local funds	2,595	--
TOTALS	\$47,160	\$35,787

Proposition 98

As noted earlier, the budget estimates that state and local funding for K-12 schools counting toward Proposition 98 will total \$35.8 billion – an increase of \$1.9 billion. On a per-ADA basis, K-12 Proposition 98 funding increases by 4.4%. Table 3 shows the proposed uses of the \$1.9 billion in Proposition 98 funding available for new, ongoing program purposes.

The budget proposes expenditures of \$119 million in one-time Proposition 98 funds in 2000-01. These funds result from one-time savings due to lower-than-estimated program costs in 1998-99 and 1999-00. The funds are proposed to be spent primarily for special education costs related to 1999-00 enrollment increases (\$16.8 million), the Digital High School program (\$88 million), and voluntary desegregation programs (\$8 million).

Table 3
Uses of New Proposition 98 Funds
(in millions)

Enrollment growth	\$428.3
K-12 apportionments	319.1
Special education	40.4
Other categorical programs	68.8
 Cost-of-living adjustments	 \$946.7
K-12 apportionments	667.8
Special education	84.7
Other categorical programs	194.2
 Governor's initiatives	 \$339.3
Intensive Algebra Instruction Academies	18.0
Supplemental instruction programs rate increase	61.9
Teacher recruitment centers	9.4
Alternative Certification program	20.8
Stipends for teachers receiving national certification	15.0
Incentives for teachers in low-performing schools	52.0
Professional development institute stipends	48.0
Advanced Placement teacher training	8.0
Education technology	75.0
Preschool expansion	23.8
Other initiatives	7.4
 Other	 \$231.2
Immediate Interventions/Underperforming Schools	18.7
Testing	41.6
Cal-SAFE	34.7
Beginning Teacher Support and Assessment	14.2
English-language acquisition	20.0
Deferred maintenance	22.3
Special education past-year adjustments	36.0
Child care federal funds backfill	45.4
WorkAbility federal funds backfill	7.0
Baseline/technical adjustments and other	-8.7
 TOTAL	 \$1,945.5

Next Steps in the Process

The Governor's Budget represents the first in a series of steps that will be taken to arrive at a state budget for 2000-01. The Governor's proposals will now be converted into budget bills (one in each house) and legislative hearings should begin in March. In May, the Governor's Department of Finance will issue its traditional "May Revision" of population, revenue, and expenditure projections, and growth and COLA estimates are subject to change at that time. The budget bills, having been amended in each house, will be reconciled by a joint conference committee and should be passed to the Governor in late June. Upon receiving the final Budget Bill, the Governor may then exercise his line-item veto before signing the Budget Act of 2000.

Questions regarding the budget process or this bulletin should be directed to Carol Bingham in the School Fiscal Services Division at (916)-324-4728 or by e-mail cbingham@cde.ca.gov or John Gilroy at (916)-323-8478 or by e-mail jgilroy@cde.ca.gov.

NOTICE

The guidance in this bulletin is not binding on local education agencies or other entities. Except for the statutes, regulations, and court decisions that are referenced herein, this bulletin is exemplary, and compliance with it is not mandatory. (See Education Code Section 33308.5.)